

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title: AN ORDINANCE relating to the sale of the Pacific Place Garage condominium unit under the jurisdiction of the Department of Finance and Administrative Services; authorizing the sale of such property; creating a new City Fund; designating disposition of sale proceeds; authorizing the Director of Finance and Administrative Services to execute additional agreements and documents necessary for the sale; and exempting the sale of such property from the requirements of Resolution 29799 as amended by Resolution 30862.

Summary of the Legislation: This legislation authorizes the Department of Finance and Administrative Services (FAS) Director to sell to Pine Street Group LLC (“Pine Street”) the Pacific Place Garage for consideration valued at \$55 million, which is \$4 million above its appraised value. The proceeds from the sale shall be used exclusively for the purpose of taking one of the remedial actions permitted under Internal Revenue Service regulations as necessary to preserve the tax exemption for the outstanding bonds.

Background:

The Pacific Place Garage was built to support the redevelopment of three square blocks of downtown, including moving Nordstrom to the vacant Frederick and Nelson Building, constructing Pacific Place retail mall with parking garage, and redeveloping the Nordstrom properties for additional new retail, office and other commercial uses. Additionally, the Garage was to serve as a catalyst for redevelopment of the overall commercial core by contributing to increased pedestrian traffic, improved public safety, and enhanced vehicular circulation.

Although it is difficult to measure improvements in the retail core, a recent publication from the Downtown Seattle Association notes that among peer cities (including San Francisco, Portland, and Boston) Seattle had the highest growth in retail employment since 2002. Additionally, Seattle now ranks second only to San Francisco in the number of downtown residents.

In addition to generally benefiting downtown, the Garage also directly contributes to the City’s finances. Since 1998, it has generated approximately \$27 million in City taxes, directly supporting transportation and other key projects. Additionally, by contributing to the growth and health of the retail core, the Garage has facilitated an increase in the City’s collection of sales and B&O tax from other businesses.

The City acquired the Garage using \$73 million in bond financing. The City structured the bonds with escalating debt service so that lower debt obligations in the early years would allow the Garage to establish itself as a desirable parking option and also under the assumption that its

revenues would increase over time due to increased retail development and increases in parking rates.

In the early years the Garage's operations were able to meet its debt service obligations. However, beginning in 2003, revenue was significantly less than operating costs and debt service obligations. With the exception of 2006 and 2007, the ongoing recession, increased competition from other parking garages downtown, increased competition for downtown retail in general (Bellevue, University Village, etc), escalating debt service, and other increased costs have continued the trend, culminating in a \$2.1 million shortfall in 2011. The City currently has issued a \$4 million loan to the Garage from the City's cash pool to support operations through the end of 2012.

Please check one of the following:

X **This legislation has financial implications.**

Appropriations:

Fund Name and Number	Department	Budget Control Level*	2013 Appropriation	2014 Anticipated Appropriation
TOTAL				

**See budget book to obtain the appropriate Budget Control Level for your department.*

Appropriations Notes:

There is no appropriation associated with this legislation.

Anticipated Revenue/Reimbursement Resulting from this Legislation:

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
46XXX	FAS	Asset Sale	\$55,000,000	\$0
TOTAL			\$55,000,000	\$0

Revenue/Reimbursement Notes: The proceeds from the sale deposited into the Fund shall be used exclusively for the purpose of taking one of the remedial actions permitted under Internal Revenue Service regulations, as selected by the Director, as necessary to preserve the tax exemption for the Outstanding Bonds.

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact: None

Do positions sunset in the future? No

Spending/Cash Flow: N/A

Fund Name & #	Department	Budget Control Level*	2013 Expenditures	2014 Anticipated Expenditures
TOTAL				

* See budget book to obtain the appropriate Budget Control Level for your department.

Spending/Cash Flow Notes:

Funds will likely be spent in 2013 or 2014. Again, the proceeds from the sale deposited into the Fund shall be used exclusively for the purpose of taking one of the remedial actions permitted under Internal Revenue Service regulations.

Other Implications:

- a) **Does the legislation have indirect financial implications, or long-term implications?**
Yes. Sale of the Garage will relieve pressure on the General Fund, allowing the City to direct funds to critical projects that support its core services.
- b) **What is the financial cost of not implementing the legislation?**
Likely, the Pacific Place Garage will continue to lose money over the next 13 years, putting a strain on the General Fund
- c) **Does this legislation affect any departments besides the originating department?**
No.
- d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** The City could make a large loan to the garage or support it with ongoing general fund transfers until the debt is paid back. At that point, (likely in 2026), the City would then see positive cash flow from the garage and be able to recoup all or a portion of its funds.
- e) **Is a public hearing required for this legislation?**
No
- f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**
No
- g) **Does this legislation affect a piece of property?** Yes
- h) **Other Issues:** None

List attachments to the fiscal note below: